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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Investigation to Address the Potential Loss of Natural Gas Service for a Portion of the Santa Nella Community U 39 G	I.22-09-011 (Filed September 15, 2022)

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE COMMENTS IN RESPONSE TO THE COMMISSION'S ORDER INSTITUTING INVESTIGATION TO ADDRESS THE POTENTIAL LOSS OF NATURAL GAS SERVICE FOR A PORTION OF THE SANTA NELLA COMMUNITY

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TABLE OF CONTENTS

Page

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) respectfully submits this Response pursuant to Ordering Paragraph 2 of the California Public Utility Commission's (CPUC or the Commission) Order Instituting Investigation (OII) (also referred to as the Santa Nella OII) to Address the Potential Loss of Natural Gas Service for a Portion of the Santa Nella Community, issued on September 21, 2022.

The OII describes Santa Nella, California as an unincorporated community of 1,981 people located on the western edge of Merced County within PG&E's service territory. SNME, Inc. (SNME) is a private corporation that owns the underground natural gas pipelines and customer meters that serve sub-metered natural gas to all 270 manufactured homes in the Santa Nella subdivision, including the 233 lots no longer within the formal boundary of the mobile home park (MHP) (hereinafter referred to as the Santa Nella community or Santa Nella subdivision). SNME intends to cease its natural gas service leaving the Santa Nella community with the inability to use gas for cooking, water heating, space heating and clothes drying.[1] The MHP has 47 manufactured homes under the jurisdiction of California's Department of Housing and Community Development (HCD), while most of the lots became individually owned and are no longer affiliated with the MHP. The entirety of the Santa Nella subdivision is designated as a Disadvantaged Community (DAC).[2]

[1] OII at 1, 5.

[2] OII at 3.

The Commission seeks to ensure that the Santa Nella subdivision has access to energy services, no later than January 1, 2024, and ideally by September 2023, of a comparable or higher level of safety than the energy services they currently receive.[3] The Commission identified five options (a through e) as potential solutions that can be decided and implemented expeditiously:

> a. Direct PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots and take over provision of gas service to these customers no later than January 1, 2024, and ideally by September 2023, by using distribution rates in the same manner as the pilots first established in R.11-02-018[4];
>
> b. Direct PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots, and to install new electrical infrastructure – including conduit, transformers, meters, and other necessary equipment – to accommodate future electrification at each parcel while the trench is open, and take over provision of gas service to these customers no later than January 1, 2024, and ideally by September 2023, by using distribution rates in the same manner as the pilots first established in R.11-02-018;
>
> c. Direct PG&E to electrify the 280 Santa Nella subdivision lots through upgrading electrical infrastructure, panels, and appliances no later than January 1, 2024, and ideally by September 2023, by drawing on Public Purpose Program funds in the same manner as the pilots established in R.15-03-010[5];
>
> d. Direct PG&E to electrify the 280 Santa Nella subdivision lots through upgrading electrical infrastructure, panels, appliances, and weatherizing existing units or replacing coaches if more cost-effective no later than January 1, 2024, and ideally by September 2023, by drawing on Public Purpose Program funds in the same manner as the pilots established in R.15-03-010; or
>
> e. Direct PG&E to electrify the 280 Santa Nella subdivision lots through upgrading electrical infrastructure, panels, appliances, and replacing coaches if more cost-effective no later than January 1, 2024, and ideally by September 2023, by drawing on recently approved state and federal funds.[6]

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[3] *Id.* at 15.

[4] The CPUC opened a rulemaking proceeding (R.11-02-018) to examine the replacement by direct utility service of the submeter systems that supply electricity, natural gas, or both to mobile home parks and manufactured housing communities located within the franchise areas of electric and/or natural gas corporations. On March 13, 2014, the CPUC closed R.11-02-018 and issued Decision 14-03-021, establishing a three-year pilot program referred to as the Mobilehome Park Utility Upgrade Program. The program was extended by the Resolutions E-4878 (issued September 28, 2017) and E-4958 (issued March 18, 2019). On April 24, 2020, Decision 20-04-004 was issued which established the Mobilehome Utility Conversion Program (MHP-UCP or MHP Conversion Program). The MHP-UCP is designed to continue converting MHP utility infrastructure until the end of 2030, with the goal of converting a total of 50% of the spaces in each utility territory to direct gas and/or electric utility service.

[5] The CPUC opened a rulemaking proceeding (R.15-03-010) to identify disadvantaged communities in the San Joaquin Valley (SJV) and to evaluate economically feasible options for affordable access to energy in those communities as required by Public Utilities Code Section 783.5.

[6] Santa Nella OII at 13-14.

PG&E shares the Commission's preference to electrify this portion of the Santa Nella community in light of state policy objectives to decarbonize California's energy infrastructure. However, the timeline and costs are two factors which the Commission has highlighted as important considerations that warrant creative approaches to service options and ratemaking. PG&E believes it will be extremely challenging to provide energy services in the timeframe that was provided. PG&E has not had the opportunity to conduct a full assessment and confirmation of the state of the homes. The preliminary estimates range from 1 year and 10 months to 2 years depending on the option.

The Santa Nella OII raised four preliminary questions which are discussed below. Rather than endorse a particular option in this response, PG&E proposes to engage with the Commission, the Santa Nella community, and other stakeholders to determine the best pathway forward for both the Santa Nella community and PG&E ratepayers as a whole. PG&E's priority is to provide safe, reliable, clean, and affordable energy as expeditiously as possible to the Santa Nella community.

II. RESPONSE TO PRELIMINARY SCOPE AND ISSUES

1. Should the Commission order PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots and take over provision of gas service to these customers or should any other replacement energy service option be considered, such as electrification?

PG&E appreciates the Santa Nella OII's careful consideration of multiple solutions for the affected portion of the Santa Nella community. PG&E seeks to enable an orderly transition in California's energy sector and to shape the future of natural gas delivery by increasing its focus on cost-effective and feasible zonal electrification projects as an alternative to planned gas projects. PG&E has a specific focus on the decarbonization of vulnerable communities like Santa Nella. In these comments, PG&E offers data and insight on three potential energy service options for the Santa Nella community: 1) replacement of existing gas services; 2) a hybrid solution where both gas and electric service are provided; and 3) electrification (drawing a distinction between ratepayer-funded electrification or electrification funded through external funding sources). PG&E suggests that the Commission consider all three service options.

In June 2022, PG&E issued its Climate Strategy Report,[7] which established our commitment to achieve a net zero energy system in 2040—five years ahead of the California carbon neutrality goal established in Executive Order B-55-18—and be climate and nature positive by 2050.[8] PG&E recognizes the importance that building decarbonization must play in meeting these carbon goals, and the opportunity that building electrification can have in providing energy efficient, safe, and comfortable homes for the Santa Nella community. As outlined in the Order Instituting Rulemaking Regarding Building Decarbonization (R.19-01-001) (Building Decarbonization OIR) and as evidenced by PG&E's support for the over 50 jurisdictions in its service area that have adopted "reach" building codes[9] requiring or promoting electric new construction, PG&E welcomes the opportunity to avoid investment in gas infrastructure that may be underutilized as California pursues its ambitious climate goals. Assuming the costs and complexities of electrification were equal to those of providing gas service, PG&E's preference is therefore full electrification of the Santa Nella community to provide safe, reliable, clean, and affordable power for affected customers. That said, PG&E raises the following concerns in pursuing electrification for this particular project: cost-effectiveness; timing; and the obligation to serve.

A. Measuring Cost-Effectiveness

In the Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning (Gas System Planning OIR), PG&E proposed that "where the net present value (NPV) of a non-pipeline alternative is less than that of the planned gas pipeline repair or replacement, and the alternative satisfies safety, reliability, and customer satisfaction criteria, then the non-pipeline alternative would be preferred.[10]"

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[7] PG&E Climate Strategy Report, https://www.pge.com/pge_global/common/pdfs/about-pge/environment/what-we-are-doing/pge-climate-goals/PGE-Climate-Strategy-Report.pdf (June 2022).

[8] PG&E defines "climate positive" to mean that PG&E will work to reduce and remove more greenhouse gases than we emit and help enable our customers to shrink their carbon footprint and "nature positive" as going beyond avoiding impacts and having no net impact on the natural environment.

[9] A reach code is a local amendment to the California Building Code. In California, local governments have the authority to adopt amendments to the California Building Standards Code, Title 24 Part 6 of the CA code of Regulations. These local amendments are often referred to as reach codes because they require performance that exceeds that of the minimum state code.

[10] PG&E's Opening Comments on Amended Scoping Memo, Track 2a, Questions 2.1(B)-2.1(K) filed in R.20-01-007 on June 15, 2022, p 7.

When the NPV of non-pipeline alternative project is less than that of a planned gas repair capital cost, that demonstrates that the electrification will offer safety and financial benefits to all gas customers. In PG&E's recent application for a zonal electrification pilot at California State University (CSU) Monterey Bay (A.22-08-003), PG&E provided the following suggestion for rate recovery of non-pipeline alternatives where electrification is more cost-effective than repair or replacement of an existing gas line:

> PG&E proposes that for this case study, cost effective non pipeline alternative projects should be recovered from gas distribution ratepayers, including [“]behind the meter” electrification costs, as a regulatory asset. This allows the electrification non pipeline alternative to have a similar financial treatment to planned gas capital projects, greatly increasing the scope and scale of non pipeline projects that PG&E can accomplish. Under a regulatory asset structure, PG&E would not take ownership of the behind the meter equipment. The purchase of behind the meter electrification equipment such as heat pumps represents a major, non routine expenditure for most Californians. For this application, PG&E is proposing that these expenditures be recovered over a 15 year period. This proposed 15 year period is consistent with the useful life of the individual electric appliances as included in PG&E's energy efficiency program approved workpapers and allows the significant investment in behind the meter equipment to be spread over a longer recovery period, smoothing the rate impact to all PG&E customers. The proposed 15 year recovery has the benefit of being less than that of the conventional gas replacement, promoting even greater long term gas ratepayer affordability in year 16 onward.[11]

Using these standards for measuring cost-effectiveness of electrification, Santa Nella presents a case in which the non-pipeline alternative is a higher cost to PG&E's customers than replacement of the gas infrastructure.

For the purpose of the NPV of cash flow analysis[12], PG&E examined two electrification scenarios—one in which customers bear the full costs of electrification (with behind the meter costs recovered as a regulatory asset, similar to the MHP Conversion Program and CSU Monterey Bay Application) and one in which the majority of behind-the-meter costs would be covered through external

[11] Pacific Gas and Electric Company CSU Monterey Zonal Electrification Prepared Testimony, served in A.22-08-003 on August 10, 2022, p. 1-2.

[12] The NPV of cash flow analysis is a cost benefit analysis measures the NPV of after-tax cash flows for each business alternative over a common horizon (i.e., same asset or project life for each alternative). A discount rate is used to put the alternative cash flow streams on an equivalent basis so that the values of the different alternatives can be compared.

funding.[13] Based on a preliminary analysis (utilizing project costs outlined below), PG&E estimates the NPV of cash flow for full-electrification of the Santa Nella community treating all behind-the-meter costs as regulatory assets to be approximately negative $15,051,000 compared to a NPV of cash flow of negative $6,071,000 for replacement of existing gas service. Alternatively, if all behind-the-meter costs were externally funded (e.g., through non-utility grants or legislative appropriations), then PG&E estimates the NPV of cash flow for full electrification to be approximately negative $7,339,000. There may be a potential option for a hybrid approach by leveraging external funds to the extent they are available and feasible, and PG&E customer funds for the balance of the work. While these numbers are preliminary, this is an initial indication that electrification of the Santa Nella community may not be cost-effective at this time, particularly if utility customers bear all or most of the conversion costs. Given current and projected affordability challenges[14], the Commission and stakeholders will want to consider carefully whether any such additional non-pipeline alternative costs should be borne by PG&E's customers. In general, PG&E's view is that for projects such as this where the electrification costs exceed those of the gas pipeline repair, external funding should be used for any costs in excess of the gas pipeline alternative, maintaining customer affordability while pursuing the State's decarbonization goals. Thus, PG&E's preference, should full electrification be selected by the Commission, would be to utilize external funds for the behind-the-meter investments. Due to the tight time constraints to provide a solution for Santa Nella, there is not time to secure external funds prior to deciding on how to move forward. Therefore, PG&E recommends that if the Commission directs PG&E to pursue electrification, the Commission should approve the funding sufficient to complete the electrification in a two-way balancing account and allow PG&E to substitute external funding for customer funding to the extent feasible.

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[13] In Section 2C below, PG&E discusses costs and timing for full electrification using the San Joaquin Valley Disadvantage Communities (SJV DAC) Pilot Program historical information. The NPV of cash flow scenario was not run for the SJV DAC Pilot Program full electrification.

[14] Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service, R. 18-07-06.

B. Project Timelines and Cost Impacts

As detailed below, electrification of the Santa Nella community would likely take longer than the target timeframe established by the Santa Nella OII. The longer timeline may necessitate either repair of the existing pipeline or the use of supplemental heating sources to ensure that Santa Nella residents have adequate energy services in the interim. Either of these interim options could have considerable additional costs not contemplated in this Response.

C. Obligation to Serve Considerations

Lastly, PG&E notes the particular complexity that customer choice plays in the potential electrification of the Santa Nella community. In order to electrify the Santa Nella community in the most cost-effective manner possible, the Commission may direct PG&E to deactivate the existing gas pipeline system entirely when SNME ceases to provide service rather than investing additional capital into the rebuilding SNME's gas system on an interim basis while also funding the infrastructure for future electrification. If the Commission adopts this full electrification approach, any Santa Nella community member who nevertheless prefers gas service would be required to request new gas service from PG&E pursuant to Gas Rules 15 (Main Extensions) and 16 (Service Extensions) and provide the required funding for the necessary line extension work, since they currently are not PG&E gas customers but reside in PG&E's gas service territory. Gas Rule 15/16 line extension work can be prohibitively expensive for individual customers, particularly if the extension is lengthy and involves installation of new gas main, which presumably would make it unlikely that individual customers decide to pursue gas service. However, if the Commission selects the option of providing utility gas service to the Santa Nella community, including only on an interim basis, PG&E will face greater difficulties if, and when, future electrification opportunities arise. By providing interim gas service, PG&E would establish the Santa Nella community members as individually metered and billed gas customers. This Proceeding would create an obligation to continue providing gas service on behalf of PG&E to those customers in the future unless the obligation to serve is addressed by future policy changes or the Santa Nella community requests termination of service.[15] In order to prevent potentially complicating any

[15] The obligation to serve is one of the issues under consideration in the Gas System Planning OIR. *See* PG&E's Opening Comments on Amended Scoping Memo, Track 2a, Questions 2.1(B)-2.1(K) filed in R.20-01-007 on

future electrification opportunities, PG&E recommends that the Commission consider these longer-term statutory obligation to serve issues if PG&E is directed to begin providing gas service to individual customers in the Santa Nella community rather than only to the master meter.

2. What is the cost to PG&E to replace the gas infrastructure serving the 280 Santa Nella subdivision lots? What are the costs to PG&E of other identified options? What are PG&E's estimated timeframes to complete the work for each option?

A. Replacement of the gas infrastructure by using distribution rates in the same manner as the pilots first established in R.11-02-018;

A.1 Estimated Project Cost

Under PG&E's MHP Conversion Program, the estimated cost to date to replace the gas To-the-Meter (TTM) and gas Beyond-the-Meter (BTM) infrastructure at a 280-space mobile home park is approximately $5.89 million.[16] Typically, this gas TTM work includes installation of new 2" plastic gas main, 1" plastic gas service to each individual mobile home space up to the gas meter, and the connection of the new system to the existing PG&E distribution gas system outside the park (i.e., tie in). The gas BTM scope of work includes any gas plumbing or installation required to connect the gas meter to the existing gas infrastructure of the mobile home.

PG&E's estimate is based on historical averages of gas-only conversions from PG&E's MHP Conversion Program between the years 2019 and 2021. There are unknowns which may alter the estimated schedule and costs including soil conditions, acceptable meter locations, availability of materials, and potential subsurface conflicts. Additionally, much of the work will occur on public roads and may necessitate additional restoration that is not included in the MHP Conversion Program, as most of the MHP Conversion Program's work is performed on private property.

Furthermore, the Santa Nella subdivision is distinctly different from a MHP Conversion Program project for two reasons: the subdivision is not an HCD permitted mobile home park that is currently

June 15, 2022, at p. 5 and PG&E's Reply Comments on Amended Scoping Memo, Track 2a, Questions 2.1(B)-2.1(K) filed in R.20-01-007 on June 27, 2022, at pp. 16-20. The obligation to serve is an issue that needs to be addressed by the Commission and Legislature for an orderly transition of the gas system to keep rates affordable, achieve decarbonization objectives, and provide clean fuel for customers that will be hard to electrify. A clear interpretation of the existing obligation to serve is essential for the ability to maintain affordability and determine appropriate rate design while meeting overall GHG emission reduction targets.

[16] Estimate is based on historical averages of cost per gas project from PG&E's MHP Conversion Program between the years 2019 and 2021. Estimate does not consider external market factors, such as inflation and supply chain pressures.

eligible under the MHP agreement, and each mobile home at Santa Nella is situated on separately owned parcels of land, whereas parks converted under the MHP Conversion Program feature one parcel of land. This will likely affect the estimated cost and schedule as it poses unique challenges and questions not seen on the MHP Conversion Program. Tasks performed with a single point of contact would now need to be extended to 234 separate parcel owners (233 individual parcels and 1 MHP permitted park representing 47 mobile homes). These distinct differences pose the following issues:

i. Under the MHP Conversion Program, an MHP Agreement is signed between PG&E and the MHP Owner, the sole point of contact representing an entire park. The typical average duration to fully execute an MHP Agreement is 20 business days and participation is voluntary. PG&E would need clarification from the CPUC if an MHP Agreement is needed with each property owner.

ii. Each parcel owner provides or assists in obtaining right of ways or easements, if necessary. PG&E would need to initiate a separate request to procure an easement from each parcel owner as needed. Each request involves collaboration with the local governing jurisdiction and PG&E's Land department. The MHP Conversion Program is voluntary. If a parcel owner is unresponsive, or refuses to provide a required easement, PG&E will need clarification from the CPUC on how to proceed.

iii. Each parcel owner consults and signs off on the meter placements on each parcel of land, in adherence with MHP Agreement section 6.1.3. If a parcel owner is unresponsive, or refuses to participate, PG&E will need clarification from the CPUC on how to proceed.

iv. Each parcel owner removes any obstructions prior to the initiation of work by PG&E, in adherence to MHP Agreement Section 5.5.4. If all obstacles are not removed on all 234 parcels of land, construction may be delayed. If a parcel owner is unresponsive, or refuses to participate, PG&E will need clarification from the CPUC on how to proceed.

v. Each parcel owner selects a "qualified, licensed contractor" to perform BTM work, according to MHP Agreement Section 4.1. Selection of contractor shall be based on the most cost-effective option and subject to PG&E's reasonableness review. A single BTM contractor for all parcels is optimal for scheduling and coordination. PG&E will need the CPUC to advise if each parcel owner will have the option to select their own BTM contractor.

vi. Each parcel owner presents the necessary funds to cover any permits outlined in MHP Agreement Section 5.7 and remediation costs outlined in MHP Agreement Section 5.8. If PG&E encounters cultural artifacts or hazardous soil conditions, or requires a Storm Water Pollution Prevention Plan, PG&E will need clarification from the CPUC on how costs will be handled.

vii. According to Section 5.9 of the MHP Agreement, outreach and education of the program is executed between PG&E and a central point of contact (i.e., MHP Owner). This point of contact provides all important communications to park residents including contractor updates, temporary outages, detours, and street closures. Outreach costs beyond this central point of contact were not contemplated in the project estimate in Section A.1. PG&E will need clarification from the CPUC on responsibility for outreach and coordination with residents.

viii. Each parcel owner must work cooperatively with PG&E to resolve construction issues that may arise during the project, according to MHP Agreement Section 5.10.2. Typically, PG&E works with the MHP Owner to resolve issues quickly. Coordination with 234 points of contact may pose construction delays.

ix. Each parcel owner must be present for the cutover process, where the parcel owner is switched over from the legacy system to the newly installed system. Under MHP Agreement Section 5.11, it is the responsibility of the MHP owner to coordinate the readiness of all residents to be converted over specific days. In this case, PG&E would need to coordinate with 234 points of contact to ensure a successful cutover. PG&E will need clarification from the CPUC on responsibility for outreach and coordination with residents.

x. The BTM permitting process and jurisdictional requirements required for the 233 homes in the subdivision may differ significantly from HCD permitting and scope requirements.[17]

A.2 Estimated Timeframe

Under PG&E's MHP Conversion Program, the estimated timeframe to replace the gas TTM and gas BTM infrastructure at a typical 280 space mobile home park is 647 days or 1 year and 10 months. This scope is outlined in Section 2.A.1. This timeframe encompasses all durations between the start of planning to the end of the closeout process. Please refer to Section 2.A.1 for related assumptions and unknowns, any or all of which would greatly increase the estimated timeframe.

B. Replacement of the gas infrastructure and installation of new electrical infrastructure – including conduit, transformers, meters, and other necessary equipment – to accommodate future electrification at each parcel while the trench is open by using distribution rates in the same manner as the pilots first established in R.11-02-018;

B.1 Estimated Project Cost

Under PG&E's MHP Conversion Program, the estimated cost to replace the TTM and BTM gas and electric infrastructure to accommodate future 200 amp electrification at a typical 280 space mobile home park is $11.03 million[18].

Typically, the gas TTM work includes installation of new 2" plastic gas main, 1" service to each individual mobile home space up to PG&E's new gas meter, and the connection of the new system to the existing PG&E distribution gas system outside the park (i.e., tie in). The electric TTM work

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[17] Estimated costs and timeframes for beyond-the-meter work are based on historical averages from the MHP Conversion Program. Work performed under this program has exclusively occurred at HCD permitted MHPs. Jurisdictional requirements as well as permitting and inspection timeframes may vary significantly at the 233 subdivision parcels as it is not under HCD jurisdiction.

[18] Estimate is based on historical averages of cost per dual commodity gas and electric projects from PG&E's MHP Conversion Program between the years 2019 and 2021. Estimate does not consider external market factors such as inflation and supply chain pressures.

includes the installation of new transformers, electrical boxes, primary and secondary conduit and cable, and poles (if necessary) to serve each mobile home space up to PG&E's new electric meter. All electric assets installed will be sized appropriately to ensure that the installed system will be able to handle any future loading up to 200 amps. Joint trenching will be used throughout the park, wherever possible.

The gas BTM work includes any gas plumbing or installation required to connect the gas meter to the existing gas infrastructure of the mobile home. The electric BTM work includes any wiring and conduit required to connect PG&E's electric meter, housed in the newly installed pedestal, to the home's existing external point of connection (i.e., mobile home's subpanel). PG&E would need guidance from the Commission on various issues specific to the Santa Nella community.[19]

B.2 Estimated Timeframe

Under PG&E's MHP Conversion Program, the estimated timeframe to replace the gas infrastructure and install new electric infrastructure to accommodate future 200 amp electrification at a typical 280 mobile home space park is 721 days or 1 year and 11.7 months. This scope is outlined in Section 2.B.1. This timeframe includes all durations between the starting of planning to the end of the closeout process. Please refer to Section 2.A.1 for related assumptions and unknowns, any or all of which would greatly increase the estimated timeframe.

C. Fully electrify the Santa Nella subdivision under the San Joaquin Valley Disadvantage Communities (SJV DAC) Pilot Program

C.1 Estimated Cost

Under PG&E's SJV DAC Pilot Program, the estimated cost for upgrades and/or replacement, as needed, of TTM electric infrastructure and BTM installations of up to four appliances for full electrification for 280 mobile homes is roughly $14.2 million, not including an additional estimate of $400,000 for community outreach, enrollment, and engagement. This estimate is based on historical averages from the SJV DAC Pilot Program and accounts for an additional remediation cost of $25,000 of 65% (182) of the 280 mobile homes.

The electric TTM work includes the installation of transformers, electrical boxes, distribution poles, primary, secondary, conduit and cable, to serve each mobile home space up to PG&E's new

[19] Please refer to Section 2.A.1 for related assumptions and unknowns.

electric meter. All electric assets would be sized appropriately to ensure that the installed system would be able to handle any loading up to 200 amps. The electric BTM work would be performed under the SJV DAC Pilot Program including subpanel installation at the coach, remediation work as needed to support all electric appliances, and four electric appliances (heat pump water heater, dryer, stove, and heating/air conditioning).

C.2 Estimated Timeframe

Under PG&E's SJV DAC Pilot Program, the estimated timeframe for upgrades and/or replacement, as needed, of TTM electric infrastructure and BTM installations of up to four appliances for full electrification for 280 mobile homes is approximately 21 to 24 months. This timeframe encompasses all durations between the start of planning to the end of installations. This timeframe is based upon the assumptions set forth in Section II.C.3, below, and deviations from those assumptions may materially increase the timeframe.

C.3 Assumptions & Potential Constraints

The following assumptions are used in estimating the time and costs in Sections 2.C.1 and 2.C.2, above, and are based on historical data from the SJV DAC Pilot Program.

i. SJV DAC Pilot program D.18-12-015 will be reviewed and modified based on best practices to add the Santa Nella sub-division as an approved PG&E Pilot Administration SJV DAC community.
ii. Each parcel owner and tenant consent and signs off on participation.
iii. Each parcel owner and or tenant removes or agrees to the removal of any obstructions and or unpermitted structure (not able to be resolved through the program) prior to the initiation of work.
iv. Each parcel owner presents the necessary funds to cover any existing or outstanding permits not related to work being performed under the program.

PG&E will need clarification from the CPUC on how to proceed should the following constraints listed below occur.

i. Parcel owner or tenant is unresponsive or refuses to participate.
ii. Obstructions and or unpermitted structure are not removed, construction cannot start.
iii. Parcel owner is unable to cover the costs for any existing or outstanding permits not related to work being performed under the program.
iv. PG&E encounters cultural artifacts or hazardous soil conditions or requires a Storm Water Pollution Prevention Plan.

v. Mobile home unit requires whole home rewiring and will not be able to be serviced requiring either an alternative fuel source for appliances or a new coach including coverage of licensing and permitting.

3. Should the cost of PG&E's replacement of the gas infrastructure serving the 280 Santa Nella subdivision lots be reimbursed from Public Purpose Program funds in the same manner as the pilots established in R.15-03-010 (the San Joaquin Valley proceeding) or distribution rates in the same manner as the MHP pilots established in R.18-04-018?

If the Commission directs PG&E to replace the gas infrastructure only, it should order cost recovery in the same matter as the MHP pilots established in R.18-04-018, and provide guidance on the issues flagged above in Section 2.A.1.

In the event that the Commission directs PG&E to both upgrade electric service to the Santa Nella community and also to replace the gas infrastructure, then the Commission should approve both types of cost recovery specified in the prompt.

4. Are there other sources of funding the Commission should consider for the necessary infrastructure replacement?

PG&E encourages the Commission to allow PG&E to use state and/or federal funding for the behind-the-meter costs if those funds are available and accessible during 2022-2023. Use of external funds would reduce the customer impacts of electrification of the Santa Nella subdivision. PG&E is concerned about whether external sources of funding, if available, could be accessed and distributed in a timely manner. In order to avoid potential delays in service to Santa Nella, PG&E recommends that if PG&E is directed to electrify residents in Santa Nella by January 1, 2024, then the Commission should authorize funds needed to complete the work and allow PG&E the ability to substitute external funding if available.

In general, PG&E encourages the State of California to support taxpayer funding for electrification projects in support of California's decarbonization objectives. If such funding were readily available, it could be used to move forward electrification projects, such as the Santa Nella community, more rapidly and without causing increases in utility rates that are ultimately counterproductive to decarbonization objectives.

III. OTHER SCOPING ISSUES

PG&E commends the Commission for raising the four preliminarily scoped questions identified in the Santa Nella OII. These initial guideposts for determining how to ensure the Santa Nella subdivision has access to energy services no later than January 1, 2024, cover most of the pressing issues. Beyond these questions and the scope identified in the Santa Nella OII, PG&E has outlined assumptions and potential constraints within each service option above. In addition to the questions posed in those sections, PG&E outlines the following issues for consideration:

- As explained above, the three options to serve the Santa Nella community may require work beyond the date that SNME has offered to continue to serve this area. PG&E recommends that this Proceeding address additional timing options to serve the Santa Nella community, including ideas such as addressing funding to keep SNME solvent until work can be completed. PG&E encourages the Commission to address policies that ensure external variables that may delay timing are considered. For example, the scoping issues should include whether there any environmental review required for this work? If so, how does that impact timelines? Is it materially different for electric versus gas work?

- PG&E recognizes that SNME is not a party to the OII. PG&E believes the scoping issues should include what role SNME should have in the OII and how SNME can cooperate to achieve a smooth transition for the Santa Nella community.

- PG&E suggests that the OII address whether there is other similarly situated customers. If so, will they receive similar treatment, and should all similarly situated customers be considered at the same time to account for aggregate impacts?

- PG&E requests that the OII explicitly address cost-sharing. For example, if PG&E electrifies the Santa Nella community and customers need new appliances, panels, or coaches, should there be a cost-sharing requirement? As PG&E noted above, replacing coaches is a novel concept that cannot be evaluated until a full assessment is conducted. This proceeding should address the methodology to determine whether full coach replacement is warranted and how these costs would be incorporated.

- PG&E also encourages the scoping issues to clearly identify ratemaking issues, including authorization to track and record costs in a two-way balancing account, and whether PPP or distribution funds are used. If PG&E were to secure state or federal funds, then funds would be put into that balancing account to offset use of PPP or distribution funds.
- To the extent that expenditures such as TTM, BTM, and electrification costs are not fully covered by external funding, PG&E asks that the CPUC approve Regulatory Asset treatment identical to what PG&E has proposed in the CSU Monterey Application.

IV. CONCLUSION

PG&E respectfully believes that this Proceeding offers a valuable opportunity for stakeholder feedback and dialogue regarding options to deliver affordable, safe, reliable, and clean energy to the Santa Nella community. PG&E looks forward to a collaborative and cooperative process in this OII and believes that the benefits of the proceeding can be maximized if they are coordinated among stakeholders. PG&E supports the OII's emphasis on safety and transformation of the energy sector and looks forward to working with the Commission on this matter.

Respectfully submitted,

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